

MINUTES ADOPTED BY CITY COUNCIL

Greenville, NC
April 20, 2004

The Greenville City Council and Greenville Utilities Commission met in joint meeting on the above date at 5:30 PM in the Board Room of the Greenville Utilities Commission Building, with Mayor Parrott and Chairman Jenkins presiding. The following were present.

City Council Members

Mayor Robert D. Parrott
Mayor Pro-Tem Ric Miller
Council Member Mildred A. Council
Council Member Ray Craft
Council Member Pat Dunn
Council Member Rose H. Glover
Council Member Chip Little
Marvin Davis, City Manager

Commission Members

Chairman Chris Jenkins
Vice Chairman Bryant Kittrell
Commissioner Marvin Davis
Commissioner Lynn Evans
Commissioner Clifton Hickman
Commissioner Wayne Powell
Commissioner Faye Taylor
Ronald Elks, Interim General Manager

Commissioners Absent: Commissioner Louis Zincone

CALL TO ORDER

Mayor Parrott called the City Council to order and ascertained that a quorum was present.

Chairman Jenkins called the Greenville Utilities Commissioners to order and ascertained that a quorum was present.

APPROVAL OF AGENDA

Motion was made by Council Member Craft and seconded by Council Member Little to approve the agenda as presented. Motion carried unanimously.

Motion was made by Commissioner Powell and seconded by Commissioner Taylor to approve the agenda as presented. Motion carried unanimously.

RECOGNITION OF ASSISTANCE PROVIDED BY CITY OF GREENVILLE AND GREENVILLE UTILITIES COMMISSION TO TOWN OF EDENTON AND CHOWAN COUNTY DURING HURRICANE FLOYD

Ms. Anne-Marie Knighton, Town Manager of Edenton, and Mr. Cliff Copeland, Chowan County Manager, expressed appreciation to the City of Greenville and Greenville Utilities Commission for providing assistance to their area after Hurricane Isabel. A resolution of appreciation and a framed picture were presented to Mayor Parrott for the City and to Commissioner Jenkins for Greenville Utilities.

Mayor Parrott and Chairman Jenkins thanked Ms. Knighton and Mr. Copeland for their kindness.

City Manager Davis recognized Greenville Utilities and several City departments for going to the aid of the Town of Edenton and Chowan County. Those departments included Public Works, Parks and Recreation, Police, Fire/Rescue and Neighborhood Services.

CONTRACT FOR FINANCIAL ADVISOR FOR CITY AND GREENVILLE UTILITIES COMMISSION – AWARDED

City Manager Davis explained that the financial advisor selected will serve the City and Greenville Utilities Commission for a period of four years.

Interim General Manager Elks stated that staff followed a rigorous process to come up with a recommendation for a financial advisor, and they are pleased with the outcome of the interviews.

Ms. Bernita Demery, Financial Services Director for the City of Greenville, stated that nineteen requests for proposals were mailed and a request for proposal was also run in The Daily Reflector. Positive responses were received from five of the firms—Davenport & Company; Ferris, Baker, Watts; Iron Capital Markets; Morgan Keegan and Company; and Springsted. An evaluation of the advisors was done by Bill Richardson and Bernita Demery from the City and Ron Elks and Keith Jones from Greenville Utilities. Three of the firms were interviewed. Ms. Demery recommended that the City Council and Greenville Utilities Commission Board of Commissioners authorize the City Manager and Interim General Manager to execute a contract with Davenport & Co. to provide Financial Advisory services for a period of four years.

City Manager Davis stated that under the agreement, the firm would be expected to:

- (1) Develop presentations to bond rating agencies
- (2) Assist in capital projects planning to develop options and strategies
- (3) Make recommendations on the appropriate financing methods to fund capital projects
- (4) Assist in the selection of underwriters for any bond sales
- (5) Assist in the negotiation of fees paid to underwriters
- (6) Printing of necessary Official Statements for bond offerings

- (7) Assist in developing financial policies and debt capacity analysis
- (8) Provide peer group comparison analysis
- (9) Provide advice and counsel on matters relating to financial markets and municipal finance
- (10) Special projects

Ms. Demery stated that presentations to the bond rating agencies will need to be developed, as it has been five years since that has been done. It is believed that the City is in a position for a bond upgrade. The firm selected would help with those upgrade presentations, come up with strategies for items in the Capital Improvement Program, decide whether debt should be combined and what the structure should be. The firm will make appropriate financing options. The firm has a copy of the Capital Improvement Program and is prepared to do that.

Motion was made by Mayor Pro-Tem Miller and seconded by Council Member Little to authorize the City Manager and Interim General Manager to execute a contract with Davenport & Co. to provide financial advisory services for a period of four years. Motion carried unanimously.

Motion was made by Commissioner Powell and seconded by Commissioner Hickman to authorize the City Manager and Interim General Manager to execute a contract with Davenport & Co. to provide financial advisory services for a period of four years. Motion carried unanimously.

CONTRACT FOR BOND COUNSEL FOR CITY AND GREENVILLE UTILITIES COMMISSION – AWARDED

Ms. Demery stated that a similar process was followed for the bond counsel. A request for proposals was advertised in The Daily Reflector and sent to nine potential respondents. Seven firms submitted a proposal. The responses were reviewed by Bill Richardson, Dave Holec and Bernita Demery from the City and Ron Elks, Phil Dixon and Keith Jones from Greenville Utilities. Four firms were interviewed and Sidley, Austin, Brown & Wood was the one chosen by the committee. This firm is conservative and works within the existing laws and other regulations. It has tax capability and will work with the IRS. The firm is willing to provide a “not to exceed” estimate and has direct experience with the City and Greenville Utilities. The services provided by the group will be negotiated and paid from each issuance of debt. The amount negotiated will be based upon the size, type and method of the securities offered, which is the process used in the past. The committee recommended that the City Council and Greenville Utilities Commission Board of Commissioners authorize the City Manager and Interim General Manager to execute a contract with Sidley, Austin, Brown & Wood to provide Bond Counsel services for a period of four years.

Motion was made by Mayor Pro-Tem Miller and seconded by Council Member Council to authorize the City Manager and Interim General Manager to execute a contract with Sidley, Austin, Brown & Wood to provide Bond Counsel services for a period of four years. Motion carried unanimously.

Motion was made by Commissioner Davis and seconded by Commissioner Kittrell to authorize the City Manager and Interim General Manager to execute a contract with Sidley, Austin, Brown & Wood to provide Bond Counsel services for a period of four years. Motion carried unanimously.

PRESENTATIONS REGARDING PAY PLAN ANALYSIS AND BENEFITS BENCHMARKING

Presentation By Derrick Associates Regarding Pay Plan Analysis

Mr. Bob Derrick stated that he previously met with the City Council and Greenville Utilities Commission and discussed global objectives. The process involved looking at internal relations, the pay structure, and how the City of Greenville and Greenville Utilities Commission pay in relation to the market. They looked at where the City and Greenville Utilities are presently and where the Council and Commission want to be in the future. He will provide recommendations on where the City and Greenville Utilities should be at this point in time and design a pay structure that would result from that recommendation. Mr. Derrick stated that there were three distinct groups of employees. Non-exempt employees represent 60% to 70% of the entire employee population from grades 16 to 23. The exempt employees and some non-exempt employees is a secondary group from grades 24 up to 30 and then grades 31 and above. This is an indicator for the City for the nonexempt group. The ratio average on the whole is about 89%. There is a lot of compression. Greenville Utilities Commission has a good distribution of employees with no visible compression. The ratio average for Greenville Utilities is approximately 97%. Greenville Utilities has the same situation as Greenville with a good distribution of people in the pay ranges but not the same compression issues.

Several areas were looked at in the external market and in the local market such as the Employer's Association for a multi-county area, which is a prime area for pricing index, a market where 60% to 70% would be recruited of the total employee population. Also, North Carolina League of Municipalities data was reviewed for the City and American Public Power Association survey data for Greenville Utilities Commission.

Mr. Derrick pointed out the local market non-exempt positions on a chart and explained that for the City and Greenville Utilities, the mid-point currently falls below average in this market data as jobs increase in grade and skill level. In the southeastern market, the City of Greenville and Greenville Utilities Commission are fair in terms of the competitive posture at the lower end and near average to below average in the exempt category. This is for grades 31 and up for both organizations. Mr. Derrick recommended that the organizations price the pay plan at the average of the local market that will cover 60% to 70% of the employees. The local market pricing at average will help maintain a competitive status in the area. This will be the framework for the remaining pricing and will be the higher positions that are at or near the average of the southeastern states. This adjustment on the average would be approximately 4.7%. That is not employee salaries but is simply picking the plan up to align on this point. When looking at the change, every grade is not impacted equally and as jobs become increasingly more responsible and more difficult, a good slope is needed so that the pay goes up accordingly.

Mr. Derrick recommended to the two organizations a market adjustment of 3.9% for employees that will align the City of Greenville and Greenville Utilities with what is going on nationally in surveys of about 3,000 to 3,500 employers and members of the American Compensation Association. The average will be approximately 3.5% to 3.6%; however, the organizations need to get the employees up into the range. There will be a couple of things that will be of assistance in resolving some of the compression; obviously it is going to minimize implementation of the pay plan. Mr. Derrick concluded by recommending a separate measure that will resolve some additional internal compression issues. He also recommended that the Council continue having at least an annual review of the pay plan.

Mayor Pro-Tem Miller asked how many employees would fall below the minimum if the pay plan is adjusted and no increase given.

Mr. Derrick responded that the numbers are included in the information provided to Council.

After several clarification attempts, City Manager Davis restated that Mayor Pro-Tem Miller is asking about if the pay plan is adjusted 4.7% on paper with the minimum and maximum but the pay of employees is not adjusted, how many employees will fall below the minimum step that they would need to go to? There will be a lot of them. The graph described by Mr. Derrick showed some with a 3.9% increase, and without that 3.9% increase, the number will increase substantially.

Mr. Derrick responded that it would be several hundred. Because of compression and the fact that there are so many employees at the minimum, if the pay plan is adjusted up without an increase in salary, there will be a tremendous number that are below minimum.

Chairman Jenkins asked the Council and Commissioners to read comments that were submitted by Commissioner Zincone, who was unable to attend this meeting. Those comments read as follows:

“COPY”

Comments from Dr. Louis H. Zincone, Jr. on Compensation Study – April 20, 2004

I have reviewed the graphs of the current and recommended pay plans and notice the discontinuity in the graph at approximately 750 job points. This indicates to me that the current pay plan, as well as the recommended one, rewards additional responsibility knowledge in the upper reaches of the pay plan less than similar increases in job content in the lower reaches.

In my view, this is a formula for disaster. Quite frankly, GUC rises and falls on its technological expertise. This expertise is available only on the national, if not international markets. In order to attract qualified candidates and to retain the well-qualified technical people we have now, it is imperative that they not fall behind their peers as they progress through the ranks, become more experienced and shoulder greater responsibility.

Without asking specific questions to the consultants, it is difficult to determine exactly what is necessary to be done. However, I know it involves raising the brackets of the technical and high-content position salaries relative to those at the lower end. While we may not be able to remedy this problem fully in this one budget, I would urge you, in the strongest terms, to move as far in that direction as you can.”

L. H. Zincone, Jr.

“COPY”

Council Member Glover suggested adjusting those who are below the minimum.

Mr. Derrick stated that if they give the adjustment, it is going to impact approximately 55 employees.

Council Member Glover suggested that those below the minimum will still be living below poverty.

Mr. Derrick informed the group that there is no intention to leave anybody below minimum. If they are below minimum, he recommends moving them up. He concluded by stating that after giving the cost of living market adjustment, it will cost an additional \$14,700 for the City of Greenville and \$3,500 for Greenville Utilities to bring employees up to the minimum.

Presentation Of Aon Consulting Report Regarding Benefits Benchmarking

Interim General Manager Elks informed the group that Gerry Case and Evonne Boyd have worked with Aon Consulting regarding the benefits benchmarking, which has come up with a recommendation for the Council.

Ms. Gerry Case, Human Resources Director for the City of Greenville, informed the group that the secondary part of this study was the overall compatibility of the City’s benefits package, making sure that the benefits package was competitive and comparable with other employers, while at the same time making sure the City could attract and retain employees based on the benefits package. The City contacted Aon Consultants of Raleigh, a nationally well-known firm that has been used to benchmark the City’s plans against both regional and national data. Aon used the data for employers over 500. Greenville was not comparing itself with employers of 50,000 or employers of 100, but was trying to get a comparable size. Staff got the benchmarking report based on studies from several agencies and has talked with Helen Sutton, the lead consultant, on a conference call. This gave members an opportunity to actually talk with a consultant and listen to the consultant explain and go through some of the details of the report to become comfortable with it. The study done by Aon shows that the current benefits plan of the City and Greenville Utilities is comparable to other public and private employers of their size. Specifically, the following plans with no other recommendations were found comparable--the employee assistance program, tuition assistance, holiday, vacation, sick leave, short term income disabilities program, the pension plan through the North Carolina Local Government Retirement System, employee computer purchase plan, credit union, dependent care reimbursement under

the cafeteria plan, and medical, dental and vision plans. There were five areas that were noted with comments. The first dealt with the medical reimbursement account under the cafeteria plan. Currently there is no limit. The City and Greenville Utilities Commission never needed to have a limit because very few employees have gone over a couple of thousand dollars for a potential risk in the future. Aon suggested a cap, and in the recommendations the committee has suggested \$3,500. This is in line with what Aon has suggested to other employers this size.

Ms. Case continued by stating that secondly, Aon studied the feasibility of changing the life and accidental death and dismemberment insurance from one times annual salary with a cap of \$50,000 to 1 times annual salary with a cap of \$100,000. This became more in line because the present plan was below average in the market in that area. Third was to study the possibility of adding a voluntary or contributory long-term disability insurance program. There are two categories being dealt with, one being employees with less than five years of service who are not vested in the retirement system. If they have a permanent disability they have no backup. For those with more than five years of service, the retirement system provides permanent total disability, but if an employee has just a long-term disability but it is not permanent, then the retirement system is not an option. The fourth item deals with setting contribution rates for retirees. Currently, as most other governmental employers, the City of Greenville/Greenville Utilities Commission provide some retiree benefits on health insurance. GASB will have some changes that will come into effect in the next two years and the finance directors can explain that better in terms of how it will have to be listed on the books. Also, during that same timeframe, because of changes in the national Medicare regulations, the Medicare supplemental policy will change across the board for all employers with a combination of all of this coming together. Aon has recommended that the City and Greenville Utilities Commission look at the changes in the coming year to prepare for what will happen two years from now in terms of necessary plan redesign and on the deferred 401(K) plan, study whether the front flat dollar contribution should remain as is or add a matching percentage contribution. This summarizes the total benefits package that was prepared by Aon.

Council Member Council asked what the college tuition reimbursement amount is.

Ms. Case replied that the cap is \$800 per year.

Council Member Little requested that Ms. Case explain the retirement system.

Ms. Case replied that it is a basic pension plan that is through the North Carolina Local Governmental Employees Retirement System and that is where the employer contributes amounts set around 5% or 6%. The employee contributes 6%. This is the State Retirement System and is very similar to the State Teacher's retirement and the University's retirement.

Council Member Little asked about the 401(K) plan.

Ms. Case replied that the City and Greenville Utilities Commission offer a 401(K) plan just like the State employees and other local governments in North Carolina. The City and Greenville Utilities Commission's plan is different because instead of doing matching amounts or doing a straight percentage, the City and Greenville Utilities Commission does a flat \$35 a pay period,

with no matching and no set percentage. For the absolute lowest paid employee, the \$35 is a relatively high percentage. Moving up the pay scale, the \$35 may be less than 1% no matter what the employee contributes. There was an indication that the City and Greenville Utilities Commission may want to take a look at this, the problem being that whatever is done may end up costing more on the recommendation sheet. There are advantages and disadvantages and there may be some more options, which are something that the City and Greenville Utilities Commission may want to take a look at to remain competitive and comparable with other employers.

Mayor Pro-Tem Miller asked if the State matches contributions to the 401(K) plan.

Ms. Case replied that they do not. For the majority, it is a voluntary contribution. For local governments, it is a different story.

Council Member Little questioned why the City and Greenville Utilities match twice on retirement.

Ms. Case replied that the 401(K) is not a match.

Mayor Pro-Tem Miller stated that the State's retirement plan is five or six percent. The employee pays and the City pays. This is a fine benefit program, just like the State's.

Ms. Case was asked when the City and Greenville Utilities elected to get into the 401(K) business, and she replied that the City was told by the State that it must get into the 401(K) business.

Mayor Pro-Tem Miller clarified that the City pays a flat rate and there is no match, just a straight contribution and the employees voluntarily give to that.

Ms. Case explained that the State also mandates that the City put in five percent for all law enforcement employees.

Council Member Dunn stated that her guess is that is the reason there is a recommendation for a percentage on the 401(K) is to try to make it comparable to what is mandated by the State.

Ms. Case replied that was correct. She stated that most employers in local government adopted a five percent match so there would be no difference between the policemen, firemen or Public Works employees. Some employers did not, but started at one percent and worked their way up. When Greenville entered the market and because of the cost issues involved, the City did it differently and started at a flat dollar amount of \$20 per paycheck and worked up \$35, which it has been for several years. The consultant is asking that the City and Greenville Utilities Commission take a look at the program.

Mayor Parrott stated that he would like to read the summary of the recommendation of the City of Greenville/Greenville Utilities Commission Compensation Committee, which has held several

meetings to discuss the report. The committee recommends that the following action be taken by the City Council and the Greenville Utilities Commission:

- Adopt the recommended pay ranges contained in the market salary analysis report by Derrick Associates.
- Include a 3.9% market adjustment in the physical year 2004-2005 budget.
- Adopt, effective January 1, 2005, a limit of \$3,500 per year per employee for medical reimbursement accounts under the Cafeteria Plan.
- Conduct a study of salary compression and work out the plan over a two to three year period to address this issue.

In addition, the compensation committee unanimously recommends for study by the Joint Compensation Committee:

- Study the feasibility of changing the life and accidental death and disability insurance from one times the annual salary maximum of \$50,000 to one times the annual salary maximum of \$100,000
- Study the possibility of adding a voluntary or contributory long-term disability insurance program for two categories: less than five years of service and greater than five years of service
- Study the contribution rates of retirees for impact upon financial statements when GASB comes into effect two years from now and, in the same general time frame, when private Medicare supplemental plans are redesigned in response to Medicare changes
- Study continuing the flat dollar contribution to the 401(K) plan and adding a matching percentage contribution

Motion was made by Council Member Dunn to adopt the recommendation. Due to the lack of a second, the motion failed.

Council Member Dunn asked what is not satisfactory in the recommendation.

Council Member Glover stated that she feels that the poorer employees are not being compensated and that they are not benefiting from this increase. This needs to be studied more in detail. They need to work on helping the people at the bottom of the pay scale. The plan has not addressed the problem with the people on the lower end of the scale; it has made it worse.

Mayor Parrott responded by stating that the study indicates that the pay for the people on the lower end of the scale are paid an above-average salary compared to the market. The upper end of the scale is below average.

Mr. Derrick responded that is correct.

Mayor Pro-Tem Miller stated that he has a hard time increasing salaries four percent at this time. He doesn't see those increases anywhere but in government.

Mr. Derrick stated that in 2000-2001 the pay plan was adjusted by 4% and employees got a 4% adjustment. The next year the plan was adjusted by 4% and employees got a 2.5% raise. The employees did not get as much as the plan was adjusted. In 2002-03 the City Council adjusted the plan again by 4% and 0% to the employees. Last year the plan was adjusted by 1.6% and the employees got 1.6%. The plan has been adjusted 13% to 15%, and employees haven't gotten half that much. The average increase being given now is 3.5% or 3.6%, but the City and Greenville Utilities Commission need to address the compression problems because of some of the past investments into the plan and not the employees. That is the history of it.

Council Member Dunn expressed that when the new fire station is opened, 12 employees will have to be added. The City needs fire stations. Six police officers were added last year, and this year there are two employees to be added. The Council wants to build a lot of new buildings, revitalize, and redevelop but the bottom line is the City is a service organization, and employees are needed to provide the service. The City is continuing to annex, increasing the need for service. The City has asked this consultant to come tell the group what needs to be done to remain competitive, and the recommendations need to be followed. If they aren't, the City and Greenville Utilities Commission are going to get farther behind. The City may have to reprioritize to come up with the money, because it cannot afford to drop behind in terms of employees. The City offers citizens services and the services have to be delivered by people.

Mayor Parrott stated that Greenville is one of the most progressive cities in the east, and the Council should want to hold itself to that standard. He hopes that it can pay employees at least the average of what other cities pay. It looks like in the study that part of the employees are not paid up to an average of what is paid by other municipalities. He asked for another motion if the one originally made is not acceptable.

Motion was made by Council Member Dunn and seconded by Council Member Craft to accept the recommendation of the Joint Pay and Benefits Committee.

Council Member Little expressed that when this process was started, he thought there was going to be some relationship between salary and benefits and how the two tie together. What has been presented is two different studies. It seems prudent to have determined that some times the pay scale may be less because there is a better benefit program or visa versa. The path taken is not the path that he thought they were going when the process began.

Mayor Pro-Tem Miller concurred with Council Member Little and stated that the City has to be competitive to have good people and retain those people. The City needs to look at cutting back because this is a big issue.

Mr. Derrick stated that it was his understanding that it was the task of the committee to merge the two, consider the options, bring them together, and have a consensus proposal to present to the Council and Commission.

The motion made by Council Member Dunn and seconded by Council Member Craft to accept the recommendation of the Joint Pay and Benefits Committee was then voted on and carried with a vote of 4:3. (Council Members Council, Dunn and Craft voted in favor of the motion. Mayor

Pro-Tem Miller and Council Members Glover and Little voted in opposition. Mayor Parrott broke the tie by voting in favor of the motion.)

Motion was made by Commissioner Powell and seconded by Commissioner Taylor to accept the recommendation of the Joint Pay and Benefits Committee. Motion carried unanimously.

CONTINUATION OF JOINT MEETING TO THURSDAY, APRIL 22 AT 5:30 PM (IF NEEDED)

City Manager Davis reported that there would be no need to meet on April 22 since the previous issue had been taken care of tonight.

CITY MANAGER/GENERAL MANAGER REPORTS

Bond Advocacy Committee

City Manager Davis stated that a Bond Advocacy Committee and staff bond information committee are being created to work on publicity for the bonds that are being considered for a November 2004 referendum. The projects to be included in the bond issue are transportation, revitalization of the 45-block area, center city revitalization and storm drainage. The City had a survey conducted regarding these issues, from which positive feedback was received. The May 13 City Council agenda will include authorizing moving ahead with the general obligation bonds.

Nomination of Candidate for Electricities Board

Interim General Manager Elks informed the group that the Electricities Board of Directors is comprised of 14 representatives. The NCEMPA Board of Commissioners elects six of those, six are elected by the North Carolina Municipal Power Agency Number 1 Board of Commissioners, and two are elected by the non-Power Agency cities and towns. Four of the six directors elected by each Power Agency must be affiliated with a power agency city. The remaining two don't have to have an affiliation. Directors are elected either by weighted or majority vote. The Power Agencies' weighted votes are based on the percentage of a city's ownership in the joint project. For Greenville, one vote counts as 18 out of 150 votes. In majority votes, each member city is allowed one vote. Malcolm Green was serving on the Board when he passed away last month. Nominations for someone to fill that seat are due April 23, and a special election will be held May 26.

Chairman Jenkins stated that it would be in Greenville's best interest to have someone serving on that board.

City Manager Davis stated that it is voted on by other power agencies. Roger Jones has been the Electric Director for many years and is known by other cities and representatives in the Power Agency who would be voting on this seat. He nominated Roger Jones to fill this position, stating that he would do an admirable job.

Motion was made by Commissioner Powell and seconded by Commissioner Davis to nominate Roger Jones to serve on the Electricities Board to fill the vacancy created by Malcolm Green's death. Motion carried unanimously.

ADJOURN

Motion was made by Commissioner Powell and seconded by Commissioner Kittrell to adjourn the meeting at 7:00 p.m. Motion carried unanimously.

Motion was made by Council Member Little and seconded by Council Member Craft to adjourn the meeting at 7:00 p.m. Motion carried unanimously.

Respectfully submitted,

Wanda T. Elks, CMC
City Clerk